Supporting local investment and export

Paris, April 4, 2018

Press release

2017 full-year results reflect SFIL's success and confirm the relevance of its model

On the publication of its 2017 full-year financial report, SFIL reported net income of EUR 54 million, triple the 2016 figure. This outstanding performance is the result of the SFIL group's sound management of its two missions to serve the French economy: refinancing the local public sector and export refinancing. It also bears witness to the strength and pertinence of the group's public development bank model, a specific model which is now recognized by the public authorities.

2017 key figures

- Consolidated net income: EUR 54 million (EUR 18 million in 2016)
- Recurring net income[1]: EUR 64 million (EUR 45 million in 2016)
- CET1 ratio: 23.2% as of December 31, 2017
- Increase in recurring net banking income[1]: +24% versus 2016, thanks to new lending activity and the success of the sensitivity reduction policy (reduction in past-due debt and provision write-backs)
- Cost/income ratio (calculated on the basis of recurring NBI[1]): 58%, down 10 points versus 2016 despite exceptional costs related to the bank's IT streamlining and rationalization project

"*SFIL is a tangible success story in every area, but when we started out in February 2013 that was by no means a given. In five years, we have demonstrated the relevance of our business model and provided the public authorities with a unique, efficient and powerful financing tool."* - Philippe Mills, SFIL's Chief Executive Officer.

Leading funder of French local government entities and hospitals

With its business partner La Banque Postale, SFIL has been the leading local public sector funder for three consecutive years. Since it was founded in February 2013, SFIL has provided financing of EUR 20 billion.

The density of La Banque Postale's network gives the group access to borrowers of all sizes and geographic origins. SFIL's exceptional financing capabilities enable it to provide the majority[2] of its loans with maturities of 15 to 30 years, longer than those offered by commercial banks.

Largest liquidity provider for export credits

SFIL is also the leading provider of liquidity for State-guaranteed export credits. In 2017, it signed four contracts worth EUR 2.6 billion. SFIL has thus become a key player in the sector, in partnership with all commercial banks active in French export credits.

Proof of the group's effectiveness lies in the State's recent decision to extend SFIL's export support to strategic projects carried out by French companies abroad eligible for the public guarantee.

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[1] The non-recurring items restated are fair value adjustments on hedges (CVA, DVA, FVA) and the effects of changes in the corporate income tax rate on the value of deferred tax assets.

[2] In 2017, 57% of funding was provided with maturities exceeding 15 years.

Leading public sector bond issuer after the State[3]

In 5 years, SFIL and its subsidiary CAFFIL have raised more than EUR 31 billion in long-term funding – of which EUR 8 billion in 2017. More than 450 different investors subscribed to the group's 20 public issues, with very long maturities (almost half of the issues being longer than 10 years) and at a very attractive cost (on average 13 bp above French government bonds for CAFFIL's covered bond issues).

2017 saw the ramping up of SFIL's bond issuance in euros and dollars. This diversification has enabled the group to repay the liquidity provided by SFIL's shareholders far ahead of forecasts.

Restructuring of the inherited balance sheet almost complete

SFIL has reduced the portfolio of sensitive loans inherited in 2013 by 86%. The most problematic loans, i.e. those indexed to the EUR/CHF, have been reduced by an even greater 92%, and those for municipalities with less than 10,000 inhabitants have been cut by 97%.

The remaining litigation cases are no longer an issue for SFIL. Out of around 15,500 borrowers, only 23 are involved in litigation relating to structured loans (a 90% reduction). The case law has now been established and all rulings on structured loans since September 2014 have been in SFIL's favor (27 rulings by the court of first instance, 4 by the court of appeal and, recently, one ruling by the Court of Cassation).

Moreover, the costly financing issued during the financial crisis is gradually reaching maturity, bringing structural improvements to the Group's results.

A robust public development bank model

SFIL's status is that of a public development bank, which applies to financial institutions having specific characteristics:

- 100% publicly owned, with strong public sector support,
- activities limited to missions assigned by the public authorities to address market deficiencies, without seeking to maximize their profits or market share.

In 2016, Philippe Mills was elected President of the European Association of Public Banks (EAPB), comprising around thirty institutions in Europe. The group's model, having demonstrated its effectiveness as a public policy instrument and its resilience during the financial crisis, is recognized by the public authorities. In particular, its status is given special treatment in the conditions for implementing the leverage ratio requirement, currently being adopted by European co-legislators.

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[3] AFT, including CADES.